

**ARIZONA CORPORATION COMMISSION
SPECIAL OPEN MEETING MINUTES**

DATE: February 13, 2004

TIME: 9:00 a.m.

PLACE: Arizona Corporation Commission, 1200 W. Washington St., Room 100, Phoenix,
Arizona 85007

ATTENDANCE: No Quorum of Commissioners. See attendance list in Attachment 1.

TOPIC: DSM WORKSHOP

MATTERS DISCUSSED:

Barbara Keene of the Commission Staff welcomed everyone.

The group discussed historical utility DSM savings and cost numbers. Rebecca Chavez of Tucson Electric Power (TEP) spoke about the company's transition to market transformation. Savings from market transformation are difficult to track. TEP's guarantee home program saves MW, but they were unable to determine MWh savings. They tried to convert MBTUs, but it didn't work. Marshall Hunt, representing Southwest Gas, suggested that on-site electric BTUs be multiplied by three and the result added to the gas BTUs. Bill Murphy mentioned that the Department of Energy uses 11,000 BTUs/kWh. Jeff Schlegel uses source information when reviewing Energy Information Administration or other national data but uses site information for reviewing utility data. The issue is generation equivalent versus meter equivalent information. There are three possible methods to deal with the issue: (1) convert MWs to MWhs, (2) convert BTUs to MWhs, and (3) estimate savings per measure. TEP will update its table using one of the three methods. There was consensus to report gas and electric savings separately.

Ms. Chavez then presented historical data for UNS Electric. The data are only available as far back as 1995. The money is spread very thin among the communities.

Tom Hines of Arizona Public Service (APS) presented a handout of APS' historical data. The data includes lost net revenue and incentives. The savings are conservative because it is difficult to measure market transformation. Therm savings are not included. Labor costs consist of one FTE in these data and 2 FTEs in base rates. It was suggested that APS expand the notes on its table to include more information on labor, timing of program changes, meter equivalency, and what happened in the 2001 energy crisis. There was also a question about why the forecasts in the table differ from those presented in the rate case.

Anita Hart of Southwest Gas (SWG) spoke about SWG's historical data. DSM funding is provided only by residential customers. It is important to look at water savings and at both site and source savings.

The group next discussed an outline of the progress report. APS presented a proposed outline. The group made the following changes to the proposed outline. The utility DSM programs in #2

were corrected to include Sulphur Springs Valley Electric Cooperative and exclude AEPCO. Criteria in #4 was designated as "primary." The following items were added to Potential Future Activities in #7: policy statement, goals and objectives, funding levels and mechanisms, should a hearing be held, program administration and delivery implementation, customer participation, and collaboration of utilities. The following items were added to Recommendations for moving forward in #8: monthly meetings and develop policy within six months.

Participants then made presentations of proposed DSM programs and policies. Bill Murphy emphasized that the most important DSM program should involve air conditioning. He passed out a graph that was used in Staff's testimony in the APS rate case. He said that when APS' peak load exceeds 3,000 MW, natural gas is used to generate electricity. APS agreed that cooling load is important, but it is not just air conditioning.

Jay McCarroll of APS Energy Services presented a handout with comments about DSM. The active market of energy efficiency projects is larger than reports show because the data do not account for non-participant adopters, but the results of DSM programs do not stand the test of time.

David Berry of Western Resource Advocates presented a handout on a proposed shade tree program. A shade tree program should be part of a comprehensive residential retrofit program. Based on various assumptions, the present value of net benefits for one tree at a target house is estimated at \$25.

Ms. Chavez presented a handout on Proposed Program Development for TEP. The proposal is based on reverting DSM funding back from renewables. TEP would want to outsource some programs and would issue an RFP to do that. TEP's intention is to impact its super peak period. They will also look into the possibility of a commercial new construction program.

Ms. Chavez then presented a handout on Proposed Program Development for UNS Electric. Only \$175,000 is available for DSM. The proposal does not retain any existing programs. Some of the new programs are expected to be launched soon. They also intend to track the low-income weatherization program in reports.

Lori Glover of So Cool Energy presented a handout on Commercial Solar HVAC. Solar-assisted HVAC is becoming common in Europe. The potential in the United States is huge. The current cost is \$0.50 to \$1.50 per watt. Energy service performance contracting can be provided for solar HVAC.

Mr. Hines presented a handout of slides on APS Proposal for Cost Effective DSM Policy. The slides described how Arizona is ahead of the nation in energy efficiency, what drives Arizona's load growth, and what APS considered in developing program ideas. Proposed DSM programs and existing program modifications were also described. Policy recommendations include a market transformation approach and legislative actions. Mr. Hines presented another handout (DSM Workshop Proposal) with more details on proposed programs.

Other handouts were circulated at the end of the meeting, but there was not enough time for the participants to present them. Handouts were provided by Southwest Gas (DSM Workshop Proposal, Proposed DSM Portfolio, Demand Side Management Program Recommendations); SWEEP (Proposed Energy Efficiency Portfolio, Energy Efficiency Programs for Arizona DSM);

and Morenci Water & Electric. LightLogix provided handouts (Voltage Control, Proposed DSM Portfolio) subsequent to the Workshop. Presentations will continue at the next Workshop.

The next DSM Workshop will be held on March 26, 2004, at from 9 a.m. to 4 p.m.

Barbara Keene and
Ray Williamson, Utilities Division

Attendees at the DSM Workshop
On February 13, 2004

Attendee	Organization
Stacy Aguayo	APS Energy Services
Stephen Ahearn	Residential Utility Consumer Office
Chris Arthur	LightLogix Inc.
David Berry	Western Resource Advocates
Rebecca Chavez	Tucson Electric Power/UNS Electric
David Couture	Tucson Electric Power
Dennis Criswell	Arizona Electric Power Cooperative
M.L. Diaz Cortez	Residential Utility Consumer Office
Linda Douglas	Tucson Electric Power
John Duncan	Arizona Public Service
Lori Glover	So Cool Energy
Anita Hart	Southwest Gas
Tom Hines	Arizona Public Service
Doug Holton	Salt River Project
Marshall Hunt	RHA
Barbara Keene	Arizona Corporation Commission Staff
Barb Klemstine	Arizona Public Service
Cinda LeDesma	Southwest Gas
Sam Lipman	Desert Energy
Jay McCarroll	APS Energy Services
Mark McWhirter	Arizona Energy Office
Bill Meek	Arizona Utility Investors Association
Chuck Miessner	Arizona Public Service
George Miller	Transcon
Bill Murphy	Murphy Consulting
Terry Orlick	Arizona Public Service
Randy Sable	Southwest Gas
Jeff Schlegel	Southwest Energy Efficiency Project
Vivian Scott	Southwest Gas
Chuck Skidmore	City of Scottsdale
Bud Walters	Southwest Gas
Ray Williamson	Arizona Corporation Commission Staff
Martha Wright	Southwest Gas